

FedEx Analysis

Prepared for Mr. Saul Valdiviezo

University of Texas – El Paso

Introduction:

FedEx Express is a household name in today's transportation world, with promises of getting your packages delivered overnight. FedEx has become the world's largest express transportation company. As a company they provide fast and reliable delivery service to every United States address and even to more than 220 countries and territories. A look at their history, location, structure, corporate vision and some other interesting facts will give us a quick snap shot of who they are. Then delving into the primary industry, which major competitors they are dealing with, what is their rate of growth, or decline for that matter, some key accounting and finance company a quick glance at the size of their workforce, turnover rate, salaries, employee benefits and demographics, the company culture, their social responsibility, and ethical perspective will give us a better understanding. A specific chapter topic of workplace diversity was chosen to be discussed to see how FedEx has incorporated into its business practices. Finally, an analysis of their strengths, weaknesses, opportunities, and threats (SWOT) will be conducted.

Brief History:

According to the FedEx website, Mr. Frederick W. Smith was a student at Yale University in 1965 where he wrote a term paper on shipping problems of time sensitive packages. In 1971, after getting out of the military, Mr. Smith bought controlling interest to a company in Little Rock, Arkansas called Arkansas Aviation Sales. He came across the same issues that he had discussed in his term paper, which was the inefficiency of getting time sensitive packages to their destination in a timely manner. Out of this problem the idea for Federal Express was born. He chose to use Federal due to the patriotic connotations of the word. The company became incorporated in June of 1971, however did not officially begin operations until April 17, 1973. According to FedEx on this night they launched 14 planes from Memphis International Airport,

which delivered 186 packages to 25 cities from Rochester to Miami. Company headquarters was moved to Memphis due to its central location and the weather conditions. Even though the company was well on its way FedEx did not see a profit until 1975. Since then the company has grown and created new innovations to where its competitors are still trying to catch up.

Location:

As stated previously the main headquarters for FedEx is now in Memphis, Tennessee, however this company has locations in over 220 countries and continues to grow.

Structure:

According to FedEx website, the company structure consists of how many employees they have, how many countries they are in, and what global regions. However, according to the Official Board website, FedEx consists of the CEO, Frederick Smith, and 11 Board of Directors who make decisions for all the secondary companies.

Corporate Vision:

FedEx Corporation's vision is a world where goods and information move quickly and seamlessly, a world where businesses source raw materials and parts globally, then move high-value goods quickly between continents and across time zones, and a world where global information and transportation networks can shrink time and distance, creating competitive advantages for customers.

Interesting Facts:

According to FedEx they have received numerous awards in several different areas, over the last decade to include ranking #10 on the Fortune's Worlds most Admired List since 2001. Another interesting fact is FedEx's participation in NASCAR where driver Denny Hamlin is ranked #4.

Primary Industry:

FedEx Corporation's primary industry is logistics. This includes airfreight and ground transportation. While competition already existed in companies such as United Parcel Service (UPS) and United States Postal Service (USPS), FedEx established a new industry by innovating the delivery of mail and packages overnight. While sending and receiving parcels in the mail within one to two days may have seemed inconceivable, FedEx took this opportunity to pioneer its birth. According to fedex.com, FedEx Express, which is an SBU, or strategic business unit, of FedEx Corporation, is the world's largest express transportation company. It is capable of delivering to almost every single address in North America and fedex.com also states that the company can connect any two cities within the North American borders within twenty-four hours. What once may have been a dream of the past is now the reality of today. In its industry, FedEx targets cost efficient shipping of small parcels. It also provides the tools necessary for virtually any type of shipping or presentation preparations. Some of the services FedEx makes available are copying, digital printing, professional finishing, and sign and graphics creation. Fedex.com reports that in addition to its main industry of shipping and ground logistics, airfreight is a major aspect of their company.

Major Competitors:

Some of its major competitors include USPS, UPS and DHL. DHL, an acronym for Dalsey, Hillblom and Lynn, poses the biggest threat to FedEx airfreight operations since it possesses over 350 aircraft, according to www.prlog.org. Another major threat to FedEx is the agreement between UPS and USPS. This partnership enables, "zone skipping" meaning UPS can pick up USPS mail and transfer it to a USPS center at no additional fee or hassle. The merging of these two companies could be viewed as an aggressive competitive attack on the FedEx Corporation.

Health: Rate of Growth/Decline, and Key Accounting and Financial Measures/Indicators:

FedEx has strengthened its position in the global market by diversifying its products and services, network expansion, improving internal efficiency and international express services that

are growing at more than 10% annually (Logan Purk, 2013). With solid long-term growth opportunities and a strong cash flow, analysts have estimated its long-term earnings per share to grow at a rate of 13% and therefore rating FedEx as a buy (Logan Purk, 2013). FedEx typically operates with approximately \$2 billion cash on hand and strongly ended their second quarter with \$2.517 billion (Forbes, 2013). Its assets total in excess of \$31.3 billion (Forbes, 2013) with a reasonable debt level on the flip side and a total debt to equity ratio of 14.42% (FedEx Corporation, 2013) thus earning FedEx a decent rating of BBB from Standard & Poor and a Baa-1 from Moody (Logan Purk, 2013). Their return on assets is 6.59% and return on equity is at 12.51%. FedEx Corporation (NYSE: FDX) shares have been steadily on the rise and are selling at \$107.58 as of March 8, 4:42 p.m. ET with a current market cap of \$34 billion (Forbes, 2013). Shares are up approximately 17%. FedEx remains optimistic and reaffirms its projected earnings of \$6.20 to \$6.60 per diluted share for fiscal year 2013 at a ratio of 17%, slightly under the S&P 500 ratio of 17.7% (The Street Wire, 2013). FedEx sales are reported at approximately \$43.5 billion with profits at \$1.968 and most recently reflecting an operating margin of 19.2% (Forbes, 2013). Recent acquisitions and worldwide network expansions drove second-quarter revenue up from \$10.6 billion the previous year to \$11.1 billion, a 5% increase, higher than consensus expectations. Meanwhile, net income was down from \$497 million last year to \$438 million, a 12% decline (FedEx Corporation, 2013), making it a decent second quarter, overall, for FedEx in 2013. Transports are a good indicator of the health of the economy and despite global financial turmoil and rising fuel costs FedEx Corporation maintains a strong financial position and continues to grow and expand globally.

Human Resources Assessment: Size of Workforce:

According to FedEx website overview page, there are 150,000 employees at FedEx Express and nearly 300,000 employees in the overall subsidiaries.

Turnover: Voluntary Turnover Rate: 5%

Salaries:

FedEx Express employees receive moderate market rate pay for hourly merit pay jobs, plus 3%. They have an annual payout and have incentive pay, or Bravo Zulu pay; for employees that they wish to recognize for particularly hard work, according to FedEx. Since FedEx doesn't seem to want to disclose salary information the following information was gathered at AOL Jobs website where FedEx salaries were compared to UPS salaries. Therefore, according to AOL, Account Executives make about \$73,729, Courier/Messengers about \$42,926, Dispatchers about \$53,201, the Loader or Un-loader about \$26,858, Handler makes about \$24,800, Pilot's average being at \$194,000 and a Truck Driver makes about \$38,465.

Employee Benefits:

Benefits and Pay is largely subject to which FedEx (umbrella) company the employee works for. FedEx Express employees have a retirement fund that is matched by the corporation. They have Dental coverage, vision coverage and a health care/medical plan. There are different levels of coverage, the dental and vision care is optional. Who your insurance coverage is provided by depends on the market your station or hub is located in. However, other companies under the FedEx name do not have benefits, i.e., FedEx Ground does not have any sort of health care or retirement, but they do have full time hours. FedEx Express employees are not hired full time. It can take from 5 to 15 years to become fulltime, depending on the location of your station or hub. FedEx encourages their employees to go to college and will pay up to three thousand dollars a year in tuition reimbursement if the employee maintains a "C" in the courses. FedEx also has a

Legal Plan available to employees, through Hyatt Legal Plans for \$17.50 a month, a MetLife Company. MetLife provides health insurance coverage to some markets, blue cross blue shield to other markets.

Employee Demographics:

FedEx takes tremendous pride and touts a hugely diverse workforce, regarding race, culture, age, gender, and orientation. They encourage people. However, due to the job requirement of being able to lift up to 75 pounds unassisted, the hiring process tends to be more geared towards the young men, making a large population of men within the corporation and many of them young.

Company Culture:

FedEx has many themes that they like to focus on. The Purple Promise and the PSP philosophy make up part of the company culture for FedEx. According to FedEx, The Purple Promise is, “I will make every FedEx Experience outstanding.” The PSP stands for People Service Profit, and in Fred Smith’s words, “When people are placed first, they will provide the highest possible service, and profits will follow.” However, the most recent FedEx cultural promotion has been, “Innovation.” FedEx has focused much of its innovation on energy around the world. They have incorporated solar roof tops on some stations, hybrid trucks and energy star lighting at many stations and hubs. They increased their alternative fuel fleets by 18% in 2012. They began promoting a carbon neutral envelope just a couple of years ago, the paper is recycled and the envelope is re-usable as well as recyclable.

Social Responsibility:

FedEx practices a large community relations program that reaches out to numerous organizations that include, but are not limited to: The Boys and Girls Club, Hope House, The National Civil, Right Museum, Special Olympics, YWCA, NAACP, International Children’s Heart Foundation,

Junior Achievement, The Adopt a School Program, and Susan G Koman Race for the Cure. The list is much longer, but due to time this is an accurate example of the charities and organizations they support.

Ethical Perspective:

Because FedEx sells one thing, service, they believe that image is critical to their livelihood. If their image is tainted by unethical behavior, their business will suffer. Therefore, FedEx places great emphasis on integrity, code of business conduct and ethics. They provide a list of questions for employees to ask themselves when placed in an ethical dilemma such as: Is this course of action legal? Does it violate Company policy? Is this action consistent with corporate culture? Is it fair to all concerned? Is it a good decision for the short term as well as for the long term? Would I want this decision to be published in the newspaper? Would I be proud for my friends and family to know about this decision?

Workplace Diversity:

There are typically two levels of diversity, surface level and deep level. According to our text book surface level diversity is the differences that are easy to see or perceive, such as gender, race, ethnicity, age, or disability. These differences however do not reflect the way people think or feel. Then there is deep level diversity where the difference in lies in the values, personality, and work preferences of an individual making it harder to see or perceive (Robbins and Judge, 41).

How it is incorporated:

According to FedEx they maintain a Corporate Diversity Council that focuses on a global culture of diversity and inclusiveness and their diversity mission statement reads:

Our diverse workforce, supplier base and supporting culture enable FedEx to better serve our customers and compete more effectively in the global marketplace. We value the contributions and perspectives of all employees regardless of race, gender, culture, religion, age, nationality, disability, or sexual orientation. We will strive in our workplace practices to deal with our employees, customers and suppliers in a fair and ethical manner.

FedEx shows this in the following percentages of races employed by them: White 56%, African American 26%, Latino 12%, Asian 3%, U.S. other 2%, and American Indian/Alaska Native 1%. Of these minorities 27% are part of the management team. When it comes to women according to FedEx there is a 27.3% woman in the workforce and 22.6% are women in the management field.

S.W.O.T.

<p style="text-align: center;">Internal: Strengths:</p> <ul style="list-style-type: none"> • A strong brand image • Large scale operations • Overnight delivery system 	<p style="text-align: center;">Internal: Weakness</p> <ul style="list-style-type: none"> • Revenue is dependent on the U.S. economy • Operating efficiency is declining • Weak returns • Market share growth is limited
<p style="text-align: center;">External: Opportunities</p> <ul style="list-style-type: none"> • International expansion • Getting into the Chinese market • Online shopping customers 	<p style="text-align: center;">External: Threats:</p> <ul style="list-style-type: none"> • Transportation cost are increasing • Dependent on the U.S. economy • Increased shipments by competitors

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